Synopsis on

Investment Behaviour of Individual Investors in Selected Districts of North Bihar: An Analytical Study

Submitted for the Award of Ph.D. Degree in Commerce

Under the faculty of Commerce

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Introduction

Investing in various types of assets in an interesting activity that attract people from all walks of life, irrespective of their occupation, economic status, education and family background. A person who has more money than he needs for immediate consumption can be said to be a potential investor. The investor who has extra cash can invest it in securities or in other assets like gold or real estate, or he could simply deposit it in his bank account. Companies that have extra income may invest their money to expand existing firms or undertake new ventures. All these activities, in a broader sense, mean investment.

Investment is the employment of funds on assets with the aim of earning income or capital appreciation. Investment has two attributes, namely, time and risk. In the process of investment, the present consumption is sacrificed to get a return in the future. The sacrifice that has to be borne in certain but the return in the future may be uncertain. The attribute of investment indicates the risk factor. The risk is undertaken with a view to reap returns from investment. For a layman, investment means a monetary commitment. A person's commitment to buy a flat or a house for his point of view. This, however, cannot be considered as actual investment because it involves sacrifice but does not yield any financial yield.

To, the economist, investment is the net addition made to the nation's capital stock that consist of goods and services that are used in the production process. A net addition to the capital stock means an increase in building, equipment or inventories. These capital stocks are used to produce other goods and services.

Investors have turned savvy as a wealth of information is available at their disposal. They have better financial products to choose from. Fintech companies have made investing convenient and more accessible. To a large extent, the choice of the right investment option depends upon financial goals. The right investment is a balance of three things viz.

I. Liquidity,

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II. Risk, and

III. Return.

We may say that an investor makes decision about investment taking consideration of his/her –

- Goals
- Options
- Risk taking ability and
- Outlets

Financial investment is the allocation of money to assets that are expected to yield some gains over a period of time. It is an exchange of financial claims such as stocks and bonds for money. They are expected to yield returns and experience capital growth over the years.

The main objectives of investment are

- Maximizing the return and
- Minimizing the risk.

Other subsidiary objective are

- Maintaining liquidity,
- Hedging against inflation,
- Increasing safety,
- Saving tax etc.

The investment process involves a series of activities leading to the purchase of securities or other investment alternatives. The investment process can be divided into five stages:

I. Framing of the investment policy,

II. Investment analysis,

III. Valuation,

IV. Portfolio construction, and

V. Portfolio evaluation.

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Constructing an investment portfolio depends to a significant degree, on the nature of the investor. Understanding market instruments and market movements can help one understand the market. There are so many investment alternatives. They have their own pros and cons. Equity offers high return with high risk. Bonds provide a steady and fixed flow of income. Securities issued by the Government are secured investments. Treasury bills carry a very low rate of interest. Commercial paper has short-term maturity and is favoured by companies and institutional investor. Bank deposits are a safe form of investment. Life insurance provides a wide variety of life and accident cover. Deductions are allowed for income-tax relief. Mutual funds collect funds from investor and invest in equities or money market instruments as specified by the schemes. Gold and silver are investments in real assets. The appreciation of gold has be high in the past few years. Real estate is a lucrative form of investment with high capital appreciation.

Review of Literature

In the capital market "investors" are the backbone. India is developing economy, it is essential for emergent amount of saving movements to corporate enterprises. India has gradually increased equity market participation of the retail investors over the past few decades. Investment is used for productive purposes and it has a great prominence for being the crucial instrument for economic growth and development of a country. **Anuradha and Anju (2015)** found that the proper behavioural strategies investors can increase personal wealth which will contribute to higher economic growth. There are many investment avenues are opened today, some of them are direct equity, commodity and derivatives, debt, mutual fund, real estate and gold. Some of the investment instruments are highly risky whereas others are riskless. The investors select the investment avenues depending upon their particular need, return expected and risk appetite. **Lubna and Moid (2013)** found the investor's mindset not the same when they choose to investing in a specific investment instrument.

The Behaviour of investors are influenced by many factors during the rational selection of investment **Von Neumann, and Morgenstern (1953)**, such as attitudes, awareness, perception and willingness. An investor is a person who sacrifices the present in order to earn the benefit for the future. The benefits in the form of dividends, capital

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appreciation, retirement benefits, bonus and other benefits. Sometimes individual investors choose irrational decisions about their investment **Barberis & Thaler (2003). Kim & Nofsinger (2003)** examine the individual investors in the Japanese markets, found that overall, the poor performance by individual investors can largely be explained by this tendency to hold value stocks during advancing markets and high-risk stocks during a declining market. **Lim (2004)** found that a psychological error called mental accounting is likely to play a significant role in investors trading decisions.

Gupta (2001) found that investors' perception changed from shares to risk-less bond. Investors believe that investing in shares safer than investing in bonds. The bondholder earning a higher income than the shareholder. The researcher suggests that investors' confidence is weakness due to corporate governance levels and volatility of secondary market operation.

Singh (2006) examined 400 investors to identify the level of preference of various investment avenues. The researcher identified mutual funds seems the lowest preference by most of the investors.

Sahni (2010) applied behavioural finance theories on Indian investors. The study found that the past performance of a stock market operation for three consecutive days is more influenced by market volatility, indicates that the Anchoring theory is appropriate for India investors. It also found investors perception is various in time to time, based on profit/loss. **Sharma et al. (2013)** studied gender effects on risk aversion and overconfidence in investment decision making. The authors have found female are more conservative than their male counterparts in terms of risk aversion. In terms of overconfidence, they could not reach to any conclusion with certainty because research has shown mixed results.

Priyanka Zanvar (2016) had carried a research to put up light and focus on Investment patterns and savings. The main concept of investment strategies has been focused and explained in this paper. The sample of the study is limited to the Age group of 18 to 25 years youths which must be and which are interested in investing. The Area of research has been selected from Pune. The data has been collected through a structured questionnaire distributed to 770 youths from different socio-economic classes in Pune. This data analysis has been done through one way ANOVA. The paper has been concluded

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that the Analysis done showed that there is a significant difference in safer investment and risky investment avenue.

Bhayani and Patankar (2016) had studied and had carried out research on a comparative analysis of investment behaviour of urban and rural investors. The main concept of comparison of investors behaviour with respect to currently available investment alternative factors such as returns, Risk, etc. was explained in this paper. The sample is been selected from urban and rural investors. The area of research has been selected from Nashik. The data has been collected by doing a primary survey of urban and rural area investors. The paper Revealed that there was a difference in investment behaviour of urban and rural investors in terms of risk-taking level and choosing investment avenues.

Popat (2018) has main focus on the rural and urban investors. The concept of financial knowledge and sensibility of urban and rural investors towards risk and returns of different investment avenues is been explained in this paper. The sample size of the study is urban and rural youth investors. The area of research is selected from Gandhinagar. A questionnaire was prepared administered to 100 rural and 100 urban investors. They concluded that perception of rural investors is faced towards less risky and moderate return avenues and urban investors are towards high risk and high return options.

Saikia (2018) has main focus on the savings and investment pattern of college going students who have just begun to earn. The main concept of awareness of Investment among the youths and risk-taking capacity was explained in this paper. The sample size of the study is limited to the students belonging to the age-group of 18-25 years. The area of research is selected from colleges of Mumbai. A questionnaire was prepared to collect primary data for data analysis of college going students. This paper concluded that most of the young investors were aware about the investment options but were not sure about how to go about it in newer ways, returns on investment was the most considered factor followed by risk and also that the safety and security are still influential in determining the direction of investment.

Kumar (2018) had carried out research on the pattern of individual investor's investment. Their strategies while investing and their expectations from the investment made by them. The main concept of investing strategies and expectations from investment

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done by them is been explained in this paper. The sample is been limited to certain age group and individuals of different occupations. The area of research has been selected from Hyderabad. The data has been collected by doing a primary survey of 250 individual of different age group and different occupations. The paper concluded that the age difference and different occupations of individual effects their strategies and expectations towards investments.

Kaur (2019) had flashed light on the investment behaviour and choice of investors on various alternatives and the risk-taking level of involvement of each investor. The main focus area of this concept was on choice of an individual investors and that was explained in this paper. The sample size of study is limited to age group. The area of research has been selected from Delhi and Noida. This study was based on primary survey of 300 individual response of ICR, Delhi and Noida.

Ansari (2020) has main focus on relating Investment and savings. The concept of reason of investment is been explained in this paper. The sample size of the study is salaried employees. The area of research is selected from Pune. A questionnaire was prepared for data analysis of a salaried people. This paper concluded that the respondent's investment in different investment Avenues to get good returns and mostly use it for their future safety and also concluded that the Investment and savings should go hand in hand as an investment can be done only if one has savings and savings can be done with the returns we get on Investment.

A significant amount of research has been carried out both within and outside the country on investment behaviour. It has been observed from the review of literature that most of the research works are carried out to find saving habits, risk tolerance and the factors influencing investment decisions. However, there is hardly of studies to find the influence of knowledge of investors on their investment behaviour. Thus, this study is designed as an extension to the existing body of knowledge and fills the gap for analyzing the individual investment behaviour.

Statement of the Research Problem

The investor's ability to tolerate risk determines his investment strategy. The ability to manage risks depends largely on the level of income and responsibility, knowledge

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about investment, age etc. Higher the risk, higher is the possibility of earning a fair return. People adopt different approaches. A conservative approach concentrates on secured debentures, bonds etc. and has limited risk. A moderate approach focused on investing in mutual funds, bonds and selects a fundamentally strong company's equity, share etc. investors take main risks on investment to have high (above-average) returns. They like speculative equity shares and followed the market movements.

The development of any economy depends on healthy savings and proper allocation of capital for the developmental activities of any country. The reduction of disposable income increases the saving potential of individuals. The avenues of investment and the investor's opinion based on their preferences vary from person to person. Liquidity and safety play a major role in the investment decision. Now related studies related to household investments are emerging and their investment behaviours are considered important to enhance the savings of the economy. So, it is essential to understand the investment behaviour of individuals as it forms the base for the development of the economy. If the savings and investment behaviour among the people is good, it is a symptom for the development of both the capital market and money market and also the economy. The main aim of every individual is to get a higher return with minimum risk. Against this background, the present study is to be undertaken to analyse the investment behaviour of individual investors in selected districts of North Bihar.

The study intends to protecting individual investors' interest through enhancing their knowledge and reducing risk factors regarding investment.

Objective of the Study

The present study will be undertaken with the following objectives:

1. To investigate investor awareness and perceptions of various sorts of investment opportunities,
2. To analyse the Investment Behaviour of Individual Investors,
3. To assess the investing preference of Individual Investors,
4. To examine the risk-taking abilities of investors,
5. To identify the challenges and suggest to improve investment behaviour.

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Importance of the Study

The developing countries like India face the enormous task of finding sufficient capital in their development efforts. Most of these countries find it difficult to get out of the vicious cycle of poverty of low income, low saving, low investment, low employment etc. with high capital output ratio, India in general and Bihar State in particular needs very high rates of investments to make a leap forward in her efforts of attaining high level of growth.

Behavioural finance attempts to explain and increase understanding of the reasoning patterns of investors, including the emotional processes involved and the degree to which they influence the decision-making process. Essentially, behavioural finance attempts to explain the what, why and how of finance and investing, from a human perspective. For instance, behavioural finance studies financial markets as well as providing explanations to many stock market anomalies. Behavioral finance endeavors to bridge the gap between neoclassical finance and cognitive psychology. Now an established field, behavioural finance looks at the investors decision-making formula as well as at their behaviour, which, in turn, sheds light on the observed departures from the traditional finance theory.

We may opine that investment is used for productive purpose and it has a great prominence for being the crucial instrument for economic growth and development of a country. There are many investment avenues are opened today, some of them are directly equity, commodity and derivatives, debt, mutual fund, real estate and gold. Some of the investment instruments are highly risky whereas other are riskless. The behaviour of investors are influenced by many factor during the rational selection of investment such as attitudes, awareness, perception and willingness. An investor is a person who sacrifices the present in order to earn the benefit for the future. The benefits in the form of dividends, capital appreciation, retirement benefits, bonus and other benefits. This study is designed as an extension to the existing body of knowledge and fills the gap for analyzing the individual investment behaviour.

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Hypothesis

The present study will be based on the following hypothesis:

H_0: There is a no high level of awareness among people about many options regarding investments.

H_1: There is a high level of awareness among people about many options regarding

H_0: There is no link between investor's choice and different sorts of investments tools.

H_1: There is substantial relationship exists between age group and different sorts of investments.

H_0: There is a no relationship between investor's choice and knowledge about investment of the investor.

H_1: There is a relationship between investor's choice and knowledge of the importance of investing in individual investor.

Research Methodology

The nature of study is descriptive and analytical. Primary data will be used to collect opinions and views of investors. A structured questionnaire will get administered on altogether some people residing in Bihar. Random sampling technique will be used to select sample respondents. Secondary data will be collected from different related books, journals, magazines, unpublished theses, reports, newspapers, websites etc.

A summated close and questionnaire will be used with different viewpoints of respondents. In this questionnaire, all the questions will be positively framed to study the impact of independent variables like age, gender and profession on the dependent variable. The study will be made to identify the factors influencing the individual investor preference about the various investment avenues as well as to assess the investor's level of awareness of investment.

For data analysis, interpretation and testing the hypothesis will be made using suitable statistical tools & techniques will be used as well. For better presentation of results and findings of the study, we will also use bar diagrams, pie charts and other pictorial representation methods.

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Plan of the study: Our study will be divided into the following five tentative chapters:

Chapter I: Introduction: The chapter will incorporate statement of the research problem along with conceptual aspects of the investment process and investment behaviour of individual investors and a brief idea of research work.

Chapter II: Review of Literature: A Review of Literature substantiating the different aspects of investment behaviour of individual investors will be presented in this chapter.

Chapter III: Investment Behaviour of individual investors: An overview.

Chapter IV: Investment Behaviour of individual investors in selected districts of North Bihar: An analysis.

Chapter V: Findings, Conclusion and Suggestions: The chapter will be devoted to present summary of the work. Based on the finding of the study, conclusion will be drawn and accordingly, suggestions will be put forth.

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